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SUBJECT: AMBASSADOR BEYRLER MEETS WITH ST. PETERSBURG GOVERNOR
MATVIYENKO

¶1. (SBU) Summary: In their first official meeting together, the Ambassador and Governor Matviyenko discussed the economic crisis, U.S. investment, international relations, and various housekeeping issues related to the Consulate. The meeting was cordial and Governor Matviyenko was clearly willing to engage on the issues.

¶2. (SBU) Matviyenko was upbeat on St Petersburg's economic development, despite the economic crisis, and said that the city government had paid substantial attention to small and medium business development and was continuing to do so during the crisis. She was particularly proud that the city's budget situation is better than had been expected several months ago when the crisis first began to bite, with revenues higher than expected. She partly credited this good news with lowered taxes on small and medium-sized business, which had encouraged their growth and led to the increase in city tax revenues. Matviyenko also stated the city's unemployment rate had not increased dramatically, and that it was still less than 1%.

¶3. (SBU) Governor Matviyenko was upbeat about American investments in St. Petersburg, stating they had grown by 5% over the past year and are now worth \$2.3 billion - putting the U.S. in 6th place among the city's foreign investors. She identified information technology as an area for future American investments, as the city is creating a new special economic zone with an IT technology park to encourage outside investment. The Ambassador noted the important role played by U.S. business and reminded the Governor of their first brief conversation at the opening of GM's \$300 million plant near St Petersburg last November.

¶4. (SBU) Matviyenko shared her personal observations about the ongoing relationship between the U.S. and Russia. She had traveled to the U.S. about 30 years ago with a group of young Soviet leaders, and said she was disappointed that the cold war mentality she saw in the U.S. then has persisted to this day. She noted that on her most recent trip to the U.S. in 2005, many people asked her the same questions which they had asked long ago with the same underlying premise that Russia was an enemy power. As further examples of cold war attitudes continuing to influence U.S. foreign policy vis-a-vis Russia, she cited both the Jackson-Vanik amendment and the ongoing difficulties associated with Russia's accession to the WTO. The Ambassador underscored the importance of both sides working to expand cooperation, keep differences in perspective, and help dispel outdated Cold War notions of one another.

¶5. (SBU) The Ambassador thanked the Governor for her decisive role in identifying a new site for the Anglo-American school. Matviyenko told the Ambassador that the legal process needed for the school project to move forward would be completed within 10 days. (Note: The decision was made within three days. We're grateful.) The Ambassador also raised city plans to redesign the street where the Consulate is located and expressed our concern that the planned changes would infringe on Consulate security. The Governor promised to look into changing the city's plans. (Note: She has already made good on this promise as well) The Ambassador and Matviyenko agreed to keep each other informed on developments surrounding the June 5-8 St. Petersburg Economic Forum, including with respect to the composition of the official U.S. delegation.

